Long-Term Stability

FORT CHICAGO

Annual Report 2001

Fort Chicago Energy Partners L.P. was formed in 1997 to hold a 26 percent interest in the Alliance Projects: the Alliance Pipeline and the Aux Sable Facilities. The Partnership participates, through its affiliates, in the transportation, storage, marketing or processing of hydrocarbons. We continue to deliver on our plan and focus on the upside potential and further growth of these assets in order to provide long-term stability.

OUR ASSETS PROVIDE ...

Stable Cash Flow with Upside Potential

The majority of our cash flow is generated from our investment in the Alliance Pipeline. Since commencement of operations in late 2001, the Alliance Pipeline has been generating a steady cash flow for its owners, including Fort Chicago. Going forward, the Alliance Pipeline is anticipated to have low levels of sustaining capital and should generate a stable long-term cash flow stream from the 15-year take-or-pay contracts with its 35 shippers. We anticipate natural gas liquids extraction margins to return to normal levels resulting in more stable cash flows from our investment in the Aux Sable Plant. In addition, Fort Chicago has matched the repayment of long-term debt with the cash distributions from the Alliance Pipeline, providing certainty to distributions to Unitholders. The Partnership has approximately $14 million of available cash to stabilize distributions to Unitholders or to invest in additional long-term projects to provide additional returns for our Unitholders.

Strong Balance Sheet

Fort Chicago has financed its investment in the Alliance projects with a debt to total capitalization ratio of approximately 19 percent at December 31, 2001. This conservative financial structure will allow Fort Chicago to pursue long-term projects to further enhance our existing investments and to provide additional returns to our Unitholders. Going forward, the Partnership has an obligation to repay annually U.S. $3.0 million of long-term debt together with approximately U.S. $5.5 million of interest. This represents a debt service coverage ratio, based solely on the cash flow from the Alliance Pipeline, of approximately seven times.

Long-Term Investments

Fort Chicago's two investments, the Alliance Pipeline and the Aux Sable Plant, are long-term assets designed to produce returns for their owners for 40+ years. Both assets have been in operation approximately one year and are an important part of the North American energy supply chain. The assets can be further optimized and expanded to accommodate growing volumes of liquids rich natural gas, whether they be sourced in the existing supply areas of Northwestern Alberta/Northeastern British Columbia or new volumes of natural gas from Alaska or the Mackenzie Delta. The Alliance Pipeline is fully contracted for an initial 15-year term with 35 shippers. Alliance has a stringent credit review and monitoring process regarding its shippers, designed to protect the cash flow stream for the Alliance owners.

Long-Term Growth Potential

Most predictions for natural gas demand and supply for the next decade assume the need for natural gas supply to enter the North American market from "frontier" areas including Northern Canada and Alaska. The Alliance Pipeline and the Aux Sable Plant are strategically positioned to benefit from additional supplies of natural gas entering the Midwestern U.S. and Eastern Canadian consumption areas. Future volumes of natural gas from Northern Canada, Alaska and, potentially, Canadian coalbed methane gas will likely provide the impetus for an expansion of the existing natural gas supply grid. Pre-built spare capacity coupled with expansion capabilities and well-connected downstream supply connections at the Aux Sable Plant likely give Aux Sable a financial advantage over a greenfield extraction plant.

LETTER TO UNITHOLDERS

We are pleased to report to you, our Unitholders, on the first year of operations of our major investments, the Alliance Pipeline project and the Aux Sable Natural Gas Liquids Extraction facilities.

THE ALLIANCE PIPELINE

The Alliance Pipeline met or exceeded our expectations in 2001, its first full year of operations. The pipeline transported higher volumes of natural gas during the period than forecast. In addition, the energy content of the natural gas transported by the pipeline was generally higher than forecast. These two factors effectively reduced the transportation toll per unit for Alliance's shippers. No material outages on the pipeline occurred during the year, however problems were discovered with three compressors in February 2002 that did reduce the levels of Authorized Overrun Service ("AOS") during February and March 2002. No disruptions to firm service deliveries were made during the period while repairs were made to the affected compressors. During 2001, Alliance took advantage of the lower interest rate environment to issue long-term bonds in both Canada and the U.S. These bond transactions further stabilize the transportation toll for the shippers and remove a portion of the refinancing risk in Alliance's existing long-term bank agreement. Alliance may issue additional bonds in both Canada and the U.S. in 2002 to further refinance its long-term bank loans. During 2001, Alliance was able to return approximately Cdn. $143.7 million and U.S. $74.0 million to its owners, including Fort Chicago. We anticipate that distributions of approximately Cdn. $120 million and U.S. $66 million will be paid by Alliance to its owners for 2002.

The Alliance Pipeline has been designed to be expanded by approximately 40 percent through the addition of 14 compressor stations. At the present time, basin differential between Alberta and Chicago (i.e. the difference in the selling price of natural gas in Chicago and the cost to purchase gas in Alberta) does not recover the cost of transportation between the markets due to an imbalance between the supply of natural gas available in Alberta compared to the transportation capacity available. Present expectations are that a supply shortage will continue to exist for several years. It is expected that the owners of Alliance will likely expand the systems once the supply situation has improved and shippers are prepared to contract for the incremental capacity under long-term transportation contracts. Due to a lower cost of this additional capacity, we believe that Alliance will add the next incremental capacity from the Western Canadian Sedimentary Basin to the Midwestern U.S. and Eastern Canada. Alliance is well placed regarding the transportation of Northern gas to market. Any decision to bring this gas to market has many obstacles and is likely five to seven years away, however, the liquids rich capability of the Alliance Pipeline provides a strategic advantage to Alliance when compared to the existing pipeline systems serving the Midwestern U.S. and Eastern Canadian markets.

THE AUX SABLE PLANT

Operations of the Aux Sable Plant were disappointing during its first full year. The natural gas liquids extraction margin was extremely volatile during the year for a number of reasons. In early 2001, the margin was low as a result of perceived potential shortages of natural gas, driving the price of natural gas to unprecedented levels. Then later in 2001, the margin was low as a result of excess volumes of propane due to the warmest temperatures in November and December 2001 in the Chicago area in over 100 years driving the selling price for propane significantly lower. Also, initial startup deficiencies with the plant impacted on recovery volumes, plant performance and operating costs. Most of the plant performance problems were corrected during the year, but the natural gas liquids extraction margin continues to be depressed in the first two months of 2002. Fort Chicago would like to see a more predictable cash flow stream from this investment for our Unitholders. We will be investigating how this can be achieved but any restructuring of the commercial arrangements for Aux Sable will likely take several years to achieve.

We see considerable strategic value in our interest in the Aux Sable Plant. This asset has significant excess capacity and could be expanded to process additional liquids rich natural gas very cost-effectively. With the volatility in natural gas liquids extraction margins that has been experienced to date, we would look to secure a more stable revenue stream for our Unitholders from any expansion of this asset.

FINANCIAL

In March 2001, the Partnership entered into new credit facilities totalling $140 million to replace its then existing credit facilities. The new credit facilities included a $40 million revolving facility and a $100 million bridge facility. These new facilities significantly reduced the margin above floating rates for the Partnership's borrowings and were intended to allow the Partnership to transition to longer-term financing later in 2001. The new credit facilities also removed or made less onerous a number of restrictions that existed in the previous financing, including the restriction on distributions.

On August 15, 2001, the Partnership completed the transition to longer-term debt financing by issuing, through two indirect wholly owned subsidiaries, senior notes in the aggregate principal amount of U.S. $75.0 million. The Partnership applied the proceeds of such notes firstly to fully repay the bridge facility in the amount of U.S. $63.0 million and secondly for general purposes. These senior note transactions completed the financing plan for the Partnership and effectively match the repayment of the Partnership's long-term debt with the recovery of toll revenue from the Alliance Pipeline. As at December 31, 2001, the Partnership had no direct drawings under its bank credit facilities, had approximately $27 million of letters of credit drawn under its bank credit facilities and had cash of approximately $14 million.

DISTRIBUTIONS

During 2001, the Partnership paid distributions in the aggregate amount of $49.0 million or $0.67 per Class A Unit. The distributions paid by the Partnership essentially match the amount of distributable cash earned by the Partnership of $49.6 million or $0.678 per Class A Unit. The Partnership expects to earn between $0.60 and $0.80 per Class A Unit (annualized) of distributable cash during 2002 based upon approximately $0.78 to $0.80 per Class A Unit of distributions received or receivable from the Alliance Pipeline, $0.00 to $0.20 per Class A Unit for distributions received or receivable from the Aux Sable Plant less $0.18 to $0.20 per Class A Unit for financing and administration expenses. The Partnership has declared a distribution of $0.16 per Class A Unit for the first quarter of 2002 to be paid April 30, 2002. The Partnership may utilize some of the available cash on hand to supplement cash distributions until Aux Sable commences paying distributions to its owners, including Fort Chicago.

OUTLOOK

As we enter 2002, we remain cautious towards the future. The Alliance Pipeline has operated extremely well. The financial results of the Aux Sable Plant have been disappointing to date. The opportunities for Northern gas entering the North American gas market are still very real and both the Alliance Pipeline and the Aux Sable plant are well positioned to play a role in this gas entering the North American market. The overall growth of the North American economy and the political will in both Canada and the U.S. will likely drive the timing for any projects to bring this gas to markets. Fort Chicago also believes that Canadian coalbed methane gas production could be a significant addition to Canadian gas production over the next five to 15 years.

Signs of improvements in the general economy in early 2002 bode well for a recovery in the natural gas extraction margin experienced by the Aux Sable Plant. However, the volatility in this margin makes it extremely difficult to predict the timing or size of any cash distributions from this project. We will attempt to stabilize the distributions to our Unitholders by utilizing available cash on hand until cash distributions commence from Aux Sable.

We remain confident in our ability to provide a long-term stable tax effective distribution stream for our Unitholders.

Guy J. Turcotte
Chairman and Chief Executive Officer

Stephen H. White
President and Chief Financial Officer

March 19, 2002

The Northern Gas Story.

The Alliance Pipeline is strategically well-positioned to provide Northern gas to the North American natural gas market. The Alliance Pipeline provides the most direct route to Midwestern U.S. markets from Alberta, has expansion capability and has the ability to transport a liquids rich gas stream, all features that will likely be required for transporting Northern gas to market.

In our 2000 Annual Report to Unitholders, we reviewed the rapidly changing market for natural gas driven by the desire for a cleaner burning source of fuel, large increases in demand forecast over the next decade and the supply constraints of the traditional supply basins. Those same factors still exist today although they are less obvious. A cooler than normal summer in 2001, coupled with a warmer winter and reduced demand as the result of the North American recession in 2001, has resulted in record levels of natural gas in storage as we exit the winter of 2002. We do foresee an adequately supplied market for 2002 but, looking beyond then, the dynamics underlying a tight natural gas market remain. The fall in natural gas prices has reduced the number of natural gas wells drilled in both Canada and the U.S. This factor and the high decline rates being experienced will result in natural gas production and demand coming back into balance within the next two years.

The demand for natural gas in 2001 was impacted by fuel switching and reduced demand for natural gas to produce electricity. These demand-driven factors were largely the result of the unprecedented price for natural gas and electricity during late 2000 and early 2001. Preliminary data for the first two months of 2002 suggests that these factors are reversing and we will again see a growth in natural gas demand in 2002.

The year 2002 was also significant in that U.S. President Bush added security of energy supply as a significant policy initiative. A fundamental principle of this policy is an integrated North American energy market. Alberta is a significant stakeholder in such an energy market with large untapped potential in the coalbed methane gas as well as conventional natural gas. The potential for Northern gas from Alaska and the Mackenzie Delta entering the market during the next decade is still high, driven by a sense that these incremental sources of production add to security of supply for North America. The hurdles to overcome before these Northern gas supplies become a reality are significant. Stakeholder demands and expectations must be met, including the interests of the resource owner, Aboriginal groups and various levels of government, both in Canada and the United States. Environmental concerns are also significant and must be dealt with accordingly.

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THE ALLIANCE PIPELINE

OVERVIEW

The Alliance Pipeline System (the "Alliance Pipeline") consists of an approximately 3,000 kilometre integrated, high-pressure natural gas transmission system, an approximately 700 kilometre lateral pipeline system and related infrastructure. The Alliance Pipeline has been designed to transport 1.325 billion cubic feet per day ("Bcf/d") of natural gas on a firm-service basis from Northwestern Alberta and Northeastern British Columbia to delivery points near Chicago, Illinois, where the Alliance Pipeline connects with two local natural gas distribution systems and four interstate natural gas pipelines. These interconnections provide access to markets in the Midwestern and Northeastern U.S. and Eastern Canada. The Alliance Pipeline also connects to the Aux Sable Liquid Products LP ("Aux Sable") natural gas liquids extraction and fractionation plants located in Channahon, Illinois, near the terminus of the Alliance Pipeline. The Canadian portion of the system is owned and operated by Alliance Pipeline Limited Partnership ("Alliance Canada"). The U.S. portion of the system is owned and operated by Alliance Pipeline L.P. ("Alliance USA"). Alliance Canada, Alliance USA (collectively, "Alliance") and Aux Sable are currently owned, directly or indirectly, by a common group of sponsors. Alliance USA and Aux Sable entered into agreements whereby Aux Sable extracts natural gas liquids from the liquids rich gas stream transported on the Alliance Pipeline in order to meet existing downstream pipeline heat content requirements. In exchange for the natural gas liquids extracted, shippers on the system receive natural gas on an energy equivalent basis. Fort Chicago, which holds an approximately 26 percent interest in the Alliance Pipeline and Aux Sable, is the largest equity owner.

ALLIANCE PIPELINE ROUTE (including possible expansion)

ALASKA HIGHWAY OPTION

ALASKA OFFSHORE AND MACKENZIE OPTION

MACKENZIE DELTA STAND-ALONE OPTION

RESULTS OF OPERATIONS

Alliance completed its first full year of gas transmission operations, successfully meeting or exceeding planned operating performance targets and objectives. In addition to meeting shippers' firm contracted capacity commitments of 1.325 Bcf/d, Alliance offered average levels of Authorized Overrun Service ("AOS") of approximately 15 percent for the year ended December 31, 2001. AOS represents pipeline capacity in excess of firm contracted capacity, and is offered to existing shippers on an interruptible basis for no additional cost other than the incremental compressor fuel needed to transport the AOS volumes. Actual transportation deliveries, including utilized AOS, averaged 1.479 Bcf/d for the year ended December 31, 2001. Net income for the year ended December 31, 2001 was $93.1 million in Alliance Canada and U.S. $56.0 in Alliance USA, compared with net income of $80.4 million in Alliance Canada and U.S. $48.2 million in Alliance USA in the prior year. Net income for the prior year was comprised of 11 months of allowance for equity during construction ("AEDC") which was applied to project construction accounts and one month of return on equity applied to rate base accounts. AEDC represents the cost of equity financing used during the construction period and was recognized as revenue in the period earned. The increase in net income in the current year reflects the larger rate base on which the return on equity is calculated in 2001, compared to the project construction balances on which AEDC was calculated in prior years. AEDC and the return on equity are currently recognized in the financial statements at an after-tax rate of 11.3 percent in Alliance Canada and 10.7 percent in Alliance USA.

Alliance negotiated 15-year firm service transportation services contracts with a group of (currently) 35 shippers. These contracts obligate each shipper to pay monthly demand charges based on that shipper's contracted volume, regardless of volumes actually transported on the system. These charges are subject to limited rights for each shipper to receive demand charge credits to the extent Alliance Canada or Alliance USA is unable, for any reason related solely to the physical capability of the Alliance Pipeline, to transport volumes of natural gas up to the shipper's contracted capacity that were properly scheduled for delivery. Demand charge credits will decrease Alliance's revenue and net income. No material outages were experienced during the year ended December 31, 2001.

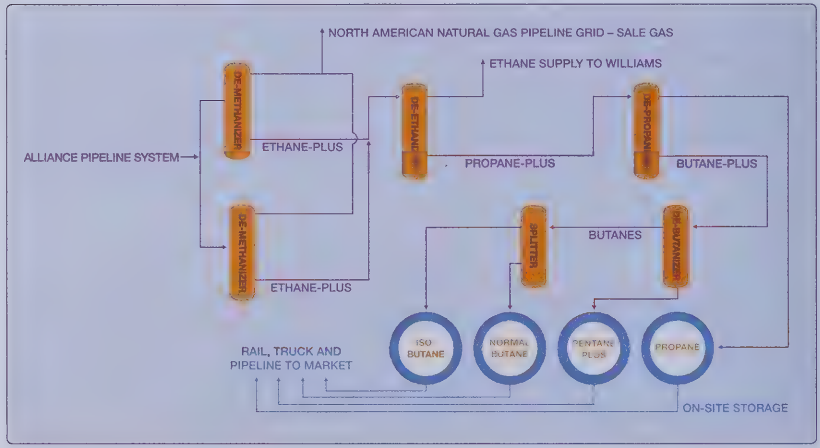
Alliance Canada made distributions to its partners (including Fort Chicago) in the aggregate amount of $111.5 million during the year ended December 31, 2001 (2000 – nil). A further distribution of $32.2 million was made to partners of Alliance Canada (including Fort Chicago) on January 30, 2002. Alliance USA made distributions to its partners (including Fort Chicago) in the aggregate amount of $56.9 million during the year ended December 31, 2001 (2000 – nil). A further distribution of $17.1 million was made to partners (including Fort Chicago) on January 30, 2002.

In February 2002, Alliance identified mechanical problems at three compressor stations on the Alliance Pipeline. These problems led Alliance to initiate temporary reductions in levels of AOS that might otherwise have been offered to shippers, however firm service transportation capacity commitments continued to be met.

THE AUX SABLE PLANT

OVERVIEW

The Aux Sable System ("Aux Sable") consists of a natural gas liquids extraction plant capable of processing 2.1 billion cubic feet per day, a fractionation plant capable of processing up to 70,000 barrels per day ("bbls/d") of propane plus, storage and downstream pipelines and loading facilities. Aux Sable is a significant supplier of propane and ethane to the Midwestern U.S., particularly for the State of Illinois and its neighbouring states. Over the last several years, Aux Sable put in place the necessary commercial arrangements to effectively market all the production from the plant including a long-term contract with respect to the ethane production with Williams, a long-term propane contract for sale of propane during the lower volume summer months and contracts to access truck and rail-loading facilities.



RESULTS OF OPERATIONS

Aux Sable completed its first full year of commercial operations late in 2001. The first several months of operations were challenging. Unprecedented natural gas prices, record snowfalls and cold temperatures in the Midwest impacted on the operating and financial performance. Operations and commercial staff readjusted plans and were able to mitigate some of the potential losses during this period. However, significant losses were incurred during the first four months.

Entering the summer of 2001, the natural gas liquids extraction margin did recover to average levels and the plant did operate at a small profit for several months. The final quarter was again a challenge for the Aux Sable Plant. Excessive levels of propane inventories, the significant fall in crude oil prices post September 11 and lower demand for ethane as a result of the recession in the North American economy generally resulted in the natural gas liquids extraction margin being severely depressed during the final quarter of 2001 and into 2002.

During 2001, Aux Sable dealt with a number of plant operational issues related to the original design and construction. These deficiencies resulted in higher operations expenses, higher levels of plant downtime and reduced extraction volumes. The major deficiencies were dealt with in the second and third quarters of 2001 and the plant now is operating smoothly with downtime being reduced significantly and operating expenses within budget.

The energy content of the natural gas stream being processed by Aux Sable is slightly higher than we had forecast when designing the plant in 1998. However, the natural gas stream has a slightly higher CO_2 content that has reduced the ethane recovery performance of the plant. Forecasts prepared prior to commencement of commercial operations were for the plant to recover 70,000 bbls/d of natural gas liquids consisting of 40,000 bbls/d of ethane and 30,000 bbls/d of propane plus. Due to the higher CO_2 and slightly lower levels of ethane in the gas stream, we are forecasting the plant to produce approximately 60,000 bbls/d of natural gas liquids in 2002 consisting of 34,000 bbls/d of ethane and 26,000 bbls/d of propane plus. During 2001, the plant recovered on average 47,000 bbls/d of natural gas liquids consisting of 27,000 bbls/d of ethane and 20,000 bbls/d of propane plus. The reduced volumes were the result of plant operating problems in the first six months of the year and the decision to not produce the natural gas liquids during periods when the extraction economics did not support the production and sale of the liquids. The Aux Sable Plant has been designed to accommodate ultimately up to 110,000 to 120,000 bbls/d of natural gas liquids production with the expenditure of an additional U.S. $25 million to U.S. $35 million.

Aux Sable incurred a loss of U.S. $35.6 million for the year ended December 31, 2001, compared with a loss of U.S. $3.2 million in the prior year when the plant was in operation for only one month. Aux Sable was able to operate within its own financial resources during the year, relying on the working capital provided during the start-up period. Present expectations, based upon the natural gas liquids extraction margins experienced during the first two months of 2002, are that the Aux Sable owners will need to provide additional working capital during March to enable Aux Sable to make a U.S. $6.25 million payment required under its bank facilities on March 31, 2002. Fort Chicago's share of this commitment is approximately Cdn. $2.7 million. Aux Sable is presently reviewing its operations to reduce or delay all discretionary spending until the natural gas liquids extraction margins improve. At this time, it is extremely difficult to predict what additional working capital may be required by Aux Sable in 2002 or when Aux Sable will commence cash distributions to its owners, including Fort Chicago. Fort Chicago is not expecting to receive any cash distributions from Aux Sable until at least the fourth quarter of 2002 as Aux Sable will be building an inventory of propane and butane during the Summer months for sale commencing in the fourth quarter of 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS

($ THOUSANDS, EXCEPT UNIT DATA)	THREE MONTHS ENDED DECEMBER 31 2001 (UNAUDITED)	THREE MONTHS ENDED DECEMBER 31 2000	YEAR ENDED DECEMBER 31 2001	YEAR ENDED DECEMBER 31 2000
Net income	**$ 7,231**	$ 5,478	**$ 15,178**	$ 26,996
Net income per Class A Unit	**$ 0.10**	$ 0.07	**$ 0.21**	$ 0.40
Distributions				
Distributable cash	**$ 9,769**	N/A	**$ 49,625**	N/A
Distributable cash per Class A Unit	**$ 0.133**	N/A	**$ 0.678**	N/A
Distributions paid or payable	**$ 12,823**	N/A	**$ 49,045**	N/A
Distributions paid or payable per Class A Unit	**$ 0.175**	N/A	**$ 0.670**	N/A
Tax losses allocated to Unitholders per Class A Unit			**$ 0.57**	$ 1.08

	DECEMBER 31, 2001	DECEMBER 31, 2000
Financial position		
Cash and short-term investments	**$ 13,677**	$ 37,031
Investment in Alliance projects	**$ 586,430**	$ 593,725
Partners' equity	**$ 489,527**	$ 496,782
Class A Units outstanding	**73,275,759**	71,843,054

GENERAL OVERVIEW

The year 2001 was a significant year for Fort Chicago Energy Partners L.P. (the "Partnership" or "Fort Chicago"). Both the Alliance Pipeline and Aux Sable Plant completed their first full year of operations. In March 2001, Fort Chicago replaced its bank credit facilities to provide additional financial flexibility and to allow a transition to longer term debt financing. Fort Chicago then completed the transition to longer term debt financing by issuing in August 2001, through two indirect wholly owned subsidiaries, senior notes in the aggregate principal amount of U.S. $75 million. These senior note transactions completed the financing plan for the Partnership and effectively matches the repayment of the Partnership's long-term debt with the recovery of toll revenue from the Alliance Pipeline.

RESULTS OF OPERATIONS

The net income for the year ended December 31, 2001 was $15.2 million or $0.21 per Class A Unit compared to $27.0 million ($0.40 per Class A Unit) for 2000. The primary factors contributing to the reduced net income in the year were losses in Aux Sable of $13.6 million (versus a loss of $0.7 million in the prior year), a loss on natural gas marketing activities of $2.2 million in the current year (versus a loss of $0.4 million in the prior year) and slightly improved earnings on the Alliance Pipeline. The loss at Aux Sable was largely concentrated in the first quarter of 2001 and resulted from unprecedented natural gas prices driving extraction economics negative.

For the three-month period ended December 31, 2001, the Partnership recorded net income of $7.2 million or $0.10 per Class A Unit versus $5.5 million or $0.07 per Class A Unit in the fourth quarter of 2000. The primary reason for the increase in net income was slightly improved earnings on the Alliance Pipeline and lower financing expenses.

Late in 2001, the Partnership re-evaluated the method of foreign currency translation for the Partnership's U.S. investees. This review was undertaken due to the changed circumstances for these entities and the Partnership concluded that it was more appropriate to translate the foreign currency using the current rate method. In prior years, the Partnership's U.S. investees were considered to be integrated and, therefore, the Partnership had utilized the temporal method. Both methods of foreign currency translation are acceptable under Generally Accepted Accounting Principles, but the current rate method is the accepted method for self-sustaining investments, similar to Alliance Pipeline L.P. and Aux Sable. The change in translation methods resulted in an immaterial change to net income in the current year. This change in translation methods had no effect on the calculation of distributable cash for the Partnership.

QUARTERLY INFORMATION

	THREE MONTHS ENDED			
2001	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
Revenues ($ THOUSANDS)				
Interest	**$ 311**	**$ 17**	**$ 119**	**$ 87**
Net income (loss) ($ THOUSANDS)	**$ (3,481)**	**$ 3,072**	**$ 8,356**	**$ 7,231**
Net income per Class A Unit				
Basic and diluted	**$ (0.05)**	**$ 0.04**	**$ 0.12**	**$ 0.10**
Distributable cash ($ THOUSANDS)	**$ 13,555**	**$ 13,446**	**$ 12,855**	**$ 9,769**
Distributable cash per Class A Unit	**$ 0.186**	**$ 0.184**	**$ 0.175**	**$ 0.133**

	THREE MONTHS ENDED			
2000	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
Revenues ($ THOUSANDS)				
Interest	$ 774	$ 332	$ 211	$ 316
Net income ($ THOUSANDS)	$ 6,892	$ 6,974	$ 7,652	$ 5,478
Net income per Class A Unit				
Basic and diluted	$ 0.10	$ 0.11	$ 0.12	$ 0.07

LIQUIDITY AND CAPITAL RESOURCES

The Partnership has been capitalized with Partners' Equity of $489.5 million and debt, net of working capital, of $103.5 million. On August 15, 2001, Fort Chicago Pipeline II U.S. L.P., an indirect wholly owned subsidiary partnership of Fort Chicago, sold U.S. $37.5 million principal amount of 7.71 percent senior unsecured notes due July 31, 2011 to institutional lenders in the United States on a private placement basis. In addition, on the same date, Fort Chicago Pipelines (Canada) Ltd., an indirect wholly owned subsidiary corporation of Fort Chicago, also sold U.S. $37.5 million principal amount of 7.71 percent senior unsecured notes due July 31, 2011 to institutional lenders in the United States on a private placement basis. Such notes are direct unsecured obligations and rank equally with all other unsecured and unsubordinated indebtedness of the issuer. Interest on such notes is calculated and payable quarterly in arrears on each of January 31, April 30, July 31 and October 31 in each year commencing on October 31, 2001. Each issuer is obligated to repay principal in the amount of U.S. $375,000 on each of the same quarterly payment dates commencing October 31, 2001 and in the amount of U.S. $22,875,000 at maturity. The Partnership ultimately applied the proceeds of such notes firstly to fully repay an unsecured bridge facility provided by two Canadian chartered banks in the approximate principal amount of U.S. $63.0 million and secondly for general corporate or partnership purposes. The issuances of such senior unsecured notes and the repayment of such bridge facility completed the financing plans for Fort Chicago's share of the construction costs of the Alliance projects and left Fort Chicago with a Cdn. $40.0 million extendible revolving credit facility as its only bank credit facility.

Each issuer of such notes has provided covenants customary for note issuances that include, among other things, the following: (i) each issuer will not, at any time, permit consolidated indebtedness to be more than 50 percent of consolidated capitalization and (ii) each issuer will not permit the ratio of operating cash flow to interest expense to be less than 3.00 to 1.00 at the end of each fiscal quarter of such issuer. Such financial covenants are calculated for each issuer and not at the Partnership level.

Each issuer of such notes has given the note purchasers a negative pledge not to encumber any of its assets except for permitted encumbrances and has agreed that in the event it sells any portion of its interest in Alliance Pipeline L.P. or Alliance Pipeline Limited Partnership, as applicable, prior to maturity of its notes to redeem such notes at that time to the extent of the proceeds of such sale plus a make-whole amount and any unpaid and accrued interest thereon.

Each issuer of such notes may redeem all or any (subject to a minimum of 10 percent of the aggregate principal amount outstanding) of its notes at any time prior to maturity at par plus a make-whole payment and any accrued and unpaid interest on the redeemed amount.

Events of default apply to such notes which are customary for note issuances of this nature.

The ability of Fort Chicago to make cash distributions or return capital contributions or to repay its revolving bank credit facility or of its relevant subsidiaries to repay their senior unsecured notes is primarily dependent upon the receipt by Fort Chicago through relevant subsidiaries of cash distributions and other payments from Alliance Pipeline and the Aux Sable Plant. Pursuant to the senior debt financing arrangements for the Alliance Pipeline, as long as there are any obligations outstanding to the lenders thereunder, Alliance Pipeline Limited Partnership and Alliance Pipeline L.P. may make distributions or return capital contributions to their limited partners (including relevant subsidiaries of Fort Chicago) so long as at the time of any such distribution or other payment various conditions are met including, among other things, (a) no "Event of Default" or event which with the giving of notice or passage of time or both could become an "Event of Default" shall have occurred and be continuing, (b) certain debt service accounts and debt service reserve accounts are fully funded, (c) certain debt service coverage ratios and projected debt service coverage ratios are met, and (d) such distribution or other payment is not funded by the senior debt of the Alliance Pipeline. An "Event of Default" is defined in the Common Agreement relating to the senior debt of the Alliance Pipeline to include those events which are typically referred to in a loan agreement and the occurrence of, among other things, any of the following events:

(1) there is a stipulated level of defaults by shippers in making payments under transportation contracts or in complying with the creditworthiness requirements of the Alliance Pipeline; and

(2) default by a third party under any operational agreement concerning Alliance or Aux Sable and failure to replace such third party within 90 days of such default and such default being likely to have a material adverse effect on Alliance Pipeline Limited Partnership or Alliance Pipeline L.P.

The Partnership's investment in the Alliance and Aux Sable projects has been made via debt and equity investments in subsidiary partnerships and corporations. There are no legal or practical restrictions on such subsidiary partnerships or corporations from transferring funds received from the Alliance and Aux Sable projects to the Partnership except that the subsidiary corporations must meet liquidity and solvency tests under applicable corporate law. The two subsidiaries of the Partnership which hold the direct investments in Alliance Pipeline Limited Partnership and Alliance Pipeline L.P., respectively, are the issuers of the senior unsecured notes described above. Each such issuer has given the note purchasers a covenant not to make distributions to its parent if at the time or as a result any "Event of Default" as defined in the note agreement or any event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an "Event of Default" would exist.

The Partnership has certain commitments to fund Alliance and has guaranteed certain transportation obligations of Alliance Canada Marketing L.P., an entity affiliated with the Alliance Pipeline. The Partnership has provided letters of credit to support these obligations which are fully described in Note 10 of the Consolidated Financial Statements of the Partnership. The Partnership anticipates that it may be required to invest approximately $2.6 million in Aux Sable during the first quarter of 2002 to enable Aux Sable to make a payment under its credit facility that is due on March 31, 2002. The Partnership may commit further funds during the coming year to enhance or expand the Alliance and Aux Sable projects, the amount of which should not be significant.

The Partnership's extendible revolving credit facility was originally scheduled to mature on March 5, 2002, but may be extended from time to time for additional 364-day periods with the approval of the revolving lenders. On March 5, 2002, the Partnership accepted an offer from its revolving lenders to extend such facility for an additional 364-day period.

DISTRIBUTIONS

The Partnership distributes "Distributable Cash" to Unitholders on a quarterly basis. The Partnership anticipates distributing Distributable Cash in respect of the quarters ending March, June, September and December in each year to Unitholders of record on the last day of the applicable quarter. Payments will be made on or before the 30th day after each record date. There is no assurance that the Partnership will make a distribution for any particular quarter. In future, the Partnership may determine to distribute Distributable Cash on a monthly basis rather than a quarterly basis.

The annual amount of Distributable Cash will vary based on, (i) the amount of distributions received from the Alliance Pipeline and Aux Sable Plant, (ii) the economics of operating the Aux Sable Plant, (iii) the amount of cash held in reserve by the Partnership, (iv) the financing costs of the Partnership, including the requirement to retire the Partnership's indebtedness, (v) the operating expenses of the Partnership, and (vi) the Partnership's subsidiaries which issued the senior notes described above not being in default under their note agreements.

The Partnership's bank credit facilities impose certain restrictions on the ability of the Partnership to make cash distributions to Unitholders including (i) limiting the Partnership's ability to incur additional debt to finance distributions and (ii) removing the ability of the Partnership to make distributions when a "Default" or an "Event of Default" shall have occurred or be continuing.

The Partnership commenced the compilation of Distributable Cash on January 1, 2001. The Partnership has declared and paid the following distributions to holders of Class A Units:

RECORD DATE	PAYMENT DATE	DISTRIBUTION PER CLASS A UNIT	TOTAL DISTRIBUTION PAID ($ THOUSANDS)
2000			
December 29, 2000	January 15, 2001	$ 0.075	$ 5,388
2001			
March 30, 2001	April 30, 2001	$ 0.175	$ 12,772
June 29, 2001	July 31, 2001	$ 0.160	11,725
September 28, 2001	October 31, 2001	$ 0.160	11,725
December 31, 2001	January 31, 2002	$ 0.175	12,823
		$ 0.670	$ 49,045
2002			
March 28, 2002	April 30, 2002	$ 0.160	$ 11,770

For 2002, the Partnership anticipates that the amount of distributions will vary between $0.60 and $0.80 per Class A Unit (annualized) based upon approximately $0.78 to $0.80 per Class A Unit of distributions from the Alliance Pipeline, $0.00 to $0.20 per Class A Unit for distributions from the Aux Sable Plant less $0.18 to $0.20 per Class A Unit for financing and administration expenses. These estimates have been prepared based on a U.S. $ exchange rate of $0.65. The amount of distributable cash is highly sensitive to the natural gas liquids extraction margins. Since start-up of the Aux Sable Plant on December 1, 2000, this margin has been very volatile which has resulted in the Aux Sable Plant being unable to generate distributions for its owners, including Fort Chicago. A payment of distributable cash in 2002 in the upper end of the range would require a recovery in natural gas extraction margins in the final three quarters of 2002 to "normal" 10-year average values.

TAXATION OF FORT CHICAGO UNITHOLDERS AND THE RECEIPT OF DISTRIBUTIONS BY UNITHOLDERS

The following is of a general nature and is not intended to be, nor should it be considered to be, legal or tax advice. Therefore, Unitholders should consult their own tax advisors with respect to their particular circumstances.

TAX DEDUCTIONS A partnership generally is not subject to federal or provincial income tax. The annual income gains, losses, deductions or credits of the Partnership flow through to the Unitholders who are required to report their allocated share of these amounts on their individual tax returns as though the Unitholder had incurred these items directly. The Partnership agreement allocates these amounts to Unitholders of record on March 31, June 30, September 30 and December 31 of each year ("Unitholder of Record").

In March, Unitholders of Record receive a T5013 tax form that summarizes their allocated share of the Partnership's reportable tax items for the calendar year ended December 31, and certain information required to be included in their tax returns. Only the amounts shown on the T5013 should be entered on each Unitholder's tax returns. During the year, the Partnership allocated a loss to Unitholders of approximately $0.57 per Class A Unit. The Partnership has summarized the information on the inside back cover of this annual report.

DISTRIBUTIONS AND ADJUSTED COST BASE OF UNITS Holders of Class A Units are required to reduce the adjusted cost base of their units by the amount of any distributions received. In addition, the cost base of a holder's units is reduced by the amount of any loss allocated to a Unitholder and increased by the amount of any income allocated to a Unitholder on their T5013 form.

The adjusted cost base is used in calculating capital gains and losses on the disposition of the Class A Units if the units are held as capital property by the Unitholder.

U.S. WITHHOLDING TAXES

A certain portion of the distribution paid by the Partnership is subject to U.S. withholding taxes. Included in the December 31, 2001 distribution payment made to Unitholders on January 31, 2002 was $0.09622691 per Class A Unit that was considered U.S. source interest income and therefore subject to U.S. withholding taxes.

In 2002, the Partnership anticipates that approximately $0.011 per Class A Unit per quarter will be subject to U.S. withholding taxes. The rate of withholding tax depends on the status of the Unitholder, with Canadian individuals and corporations subject to a 10 percent withholding tax rate and tax exempt organizations (generally RRSPs and pension plans) not subject to U.S. withholding taxes.

OWNERSHIP RESTRICTIONS

The Partnership was organized in accordance with the terms and conditions of a limited partnership agreement dated as of October 9, 1997 as amended and restated on November 21, 1997 and as further amended on March 7, 2001 (the "Partnership Agreement"). The Partnership Agreement provides that no Class A Units may be transferred to a person who is a "non-resident" of Canada, a person in which an interest would be a "tax shelter investment" or a partnership which is not a "Canadian partnership" for purposes of the *Income Tax Act* (Canada).

RISK FACTORS

An investment in Class A Units is subject to a number of risks. There is a risk that a purchaser of Class A Units may lose some or all of his or her investment. Initially, the Partnership's sole assets will be its interest in the Alliance Pipeline and the Aux Sable Plant.

The business of the Partnership is subject to the normal risks associated with the pipeline and natural gas liquids extraction industries, including operating risks inherent in the operation of a complex pipeline system with little prior operating history, future demand risks beyond the terms of the current transportation contracts, related dependence on available reserves within the Western Canadian Sedimentary Basin and the exploitation thereof, government and environmental regulations where applicable, price fluctuations of natural gas and natural gas liquids, availability of inlet natural gas, risk of default by shippers, competitive pressures, fluctuation of the Partnership's operating costs, fluctuations in the U.S.-Canada currency exchange rate, present and future financing risk of the Alliance and Aux Sable projects and risks of claims in excess of insurance coverage maintained by the Alliance and Aux Sable projects. Furthermore, risks of substantial costs and liabilities relating to environmental claims are inherent in pipeline and natural gas processing operations and there can be no assurance that such costs or liabilities will not be incurred.

Distributions by the Partnership to the holders of Class A Units will fluctuate and there can be no assurance regarding the amounts to be distributed. The revenue of the Partnership will be based upon tolls charged pursuant to transportation service agreements, which expire 15 years after the in-service date of the Alliance Pipeline project, unless renewed. Therefore, beyond the initial term of such agreements, the revenues derived by the Partnership will depend upon demand for natural gas in markets served by the Alliance Pipeline and the availability of competitive alternatives for transportation of natural gas to such markets.

The Partnership may issue an unlimited number of additional Class A Units without the approval of the holders of Class A Units, such that the holders of Class A Units may be subject to a dilution of their interests. A holder of Class A Units, to maintain limited liability, must not take part in the management or control of the Partnership's business.

A Unitholder should consult with his own financial or tax advisor with respect to the tax considerations in connection with an investment in the Class A Units.

RISK MANAGEMENT

The primary risks affecting the amount of cash distributions to Unitholders are:

1) the movement of natural gas liquids extraction margins experienced by the Aux Sable Plant;
2) fluctuation in U.S./Canadian exchange rates; and
3) risk of default of shippers on the Alliance Pipeline.

Although the natural gas liquids extraction margins represent the largest potential variability in the cash available for distribution to Unitholders, the Partnership is not prepared to enter into hedging transactions at the current time. No recognized forward markets exist for ethane, and for propane the market is largely concentrated within the first two forward months. The use of a proxy hedge is theoretically possible to hedge natural gas liquids extraction margins and it would reduce the risk profile marginally; however, the possibility of losses occurring under the hedge at the same time as natural gas liquids extraction margins are falling was significant enough to override the potential benefits. In addition, the forward price for natural gas rises relative to the current price, while the opposite generally occurs for natural gas liquids prices. The resulting forward natural gas extraction margin therefore is generally much lower than the current margin, making it extremely difficult to hedge an acceptable forward natural gas liquids extraction margin. The Partnership continues to monitor this situation and should it improve in the future, it may decide to hedge a portion of its natural gas liquids extraction margin.

The Partnership's earnings and cash flow is largely derived in U.S. dollars. To offset some of this risk we have denominated the Partnership's long-term borrowing in U.S. dollars to provide a hedge against movements in the U.S./Canadian exchange rate.

The Alliance shippers are concentrated in the natural gas producing and marketing sectors of the Western Canadian Sedimentary Basin. The Alliance Pipeline does not have a significant concentration of credit risk as it has a portfolio of 35 shippers, 90 percent of which are investment grade or equivalent. In addition, Alliance has a stringent credit review and approval process with any shipper not meeting Alliance's investment grade or equivalent criteria being required to post security in the form of a letter of credit or a dedication of natural gas reserves.

NEW ACCOUNTING STANDARDS

Amendments to Handbook Section 1650, Foreign Currency Translation, eliminate the deferral and amortization of certain translation gains and losses, and require the disclosure of exchange gains and losses to be included in net income. This new standard is effective for fiscal years beginning on or after January 1, 2002, and is to be applied retroactively. As a result of the new standard, Fort Chicago's U.S. dollar denominated debt, held by a wholly owned Canadian subsidiary in the amount of U.S. $37.5 million, will be remeasured at each balance sheet date using the prevailing exchange rate on that date, with the resulting foreign currency gain or loss reported in the consolidated statement of income for the period. For the current year, such foreign currency gains and losses have been deferred and are being amortized to income over the life of the related debt.

FORWARD-LOOKING INFORMATION

Some of this information may contain projections or forward-looking statements regarding future events or the future financial performance of the Partnership. Fort Chicago cautions that the statements are only predictions, and by their nature, forward-looking statements involve risk and uncertainty. Fort Chicago's actual results may differ materially from those expressed or implied in such forward-looking statements and/or many factors outside the control of the Partnership could affect the extent to which a particular projection is realized. A full description of the risks and uncertainties that may affect the operations, performance, development and results of the Partnership's business is included in the Annual Information Form of the Partnership, which is available at www.fortchicago.com or by contacting the general partner of the Partnership.

MANAGEMENT'S REPORT

The financial statements of Fort Chicago Energy Partners L.P. have been prepared by the management of Fort Chicago Energy Management Ltd. (the "General Partner") in accordance with accounting principles generally accepted in Canada. If alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Actual results may differ from these estimates and judgements. Management has ensured that the financial statements are presented fairly in all material respects.

Management maintains internal accounting and administrative controls designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that assets are appropriately accounted for and adequately safeguarded.

The Board of Directors of the General Partner is responsible for reviewing and approving the financial statements and, primarily through its Audit Committee, ensures that management fulfills its responsibilities for financial reporting.

The Board of Directors of the General Partner has appointed an Audit Committee to meet periodically during the year with management and the external auditors. The Audit Committee reviews with management and the independent external auditors the annual financial statements prior to submission to the Board of Directors for final approval.

The independent external auditors, PricewaterhouseCoopers LLP, have been appointed by the Unitholders to express an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows in conformity with Canadian generally accepted accounting principles.

Guy J. Turcotte
Chairman and Chief Executive Officer

Stephen H. White
President and Chief Financial Officer

March 19, 2002

AUDITORS' REPORT

To the Board of Directors of Fort Chicago Energy Management Ltd.
as the General Partner of Fort Chicago Energy Partners L.P.

We have audited the Consolidated Statement of Financial Position of Fort Chicago Energy Partners L.P. (the "Partnership") as at December 31, 2001 and 2000 and the Consolidated Statements of Income and Undistributed Income and Cash Flows for the years then ended. These financial statements are the responsibility of the management of the Partnership's General Partner, Fort Chicago Energy Management Ltd. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Calgary, Canada
March 19, 2002

PricewaterhouseCoopers LLP
Chartered Accountants

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31 ($ THOUSANDS)	2001	2000
Assets		
Current assets		
Cash and short-term investments	$ 13,677	$ 37,031
Distribution receivable	15,313	–
Receivables	295	1,265
Prepaid expenses	89	49
	29,374	38,345
Investment in Alliance projects (Note 4)	586,430	593,725
Deferred expenses (Note 6)	6,640	2,638
Office equipment	7	15
	$ 622,451	$ 634,723
Current liabilities		
Payables	$ 1,851	$ 2,761
Current portion of senior notes (Note 7)	4,778	–
Distribution payable (Note 5c)	12,823	5,388
	19,452	8,149
Non-current liabilities		
Senior notes (Note 7)	113,472	–
Bank debt	–	129,792
	113,472	129,792
	132,924	137,941
Partners' equity		
Partners' capital account (Note 5a)	433,786	424,876
Warrants (Note 5g)	380	653
Cumulative translation adjustment	17,975	–
Undistributed income	37,386	71,253
	489,527	496,782
	$ 622,451	$ 634,723

Approved by the Board of Directors of Fort Chicago Energy Management Ltd. as the General Partner of Fort Chicago Energy Partners L.P.

Guy J Turcotte

By: Guy J. Turcotte
Director

By: Stephen W. C. Mulherin
Director

See accompanying notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF INCOME AND UNDISTRIBUTED INCOME

FOR THE YEAR ENDED DECEMBER 31 ($ THOUSANDS)	2001	2000
Income		
Interest	$ 534	$ 1,633
Expenses		
Administration	1,818	1,520
Interest and other finance	9,301	11,352
Foreign exchange loss	3,848	1,670
Depreciation and amortization	2,283	1,335
Taxes	2,206	(707)
Net income (loss) before equity income	(18,922)	(13,537)
Equity income of Alliance projects (Notes 2 and 4)	34,100	40,533
Net income for the year	15,178	26,996
Undistributed income at the beginning of the year	71,253	49,645
Distribution paid or payable (Note 5c)	(49,045)	(5,388)
Undistributed income at the end of the year	$ 37,386	$ 71,253
Net income per Class A Unit		
Basic and diluted	$ 0.21	$ 0.40

STATEMENT OF OUTSTANDING UNITS

	MARCH 19, 2002 (UNAUDITED)	DECEMBER 31, 2001	DECEMBER 31, 2000
Class A Units (Note 5a)	73,564,509	73,275,759	71,843,054
Options			
Eligible Optionholder Warrants (Note 5f)	–	–	1,232,565
Warrants (Note 5g)	–	288,750	495,000

See accompanying notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31 ($ THOUSANDS)	2001	2000
Operating		
Net income for the year	$ 15,178	$ 26,996
Less: Equity income of Alliance projects	(34,100)	(40,533)
Add: Depreciation and amortization	2,283	1,335
Amortization of foreign exchange loss	3,686	1,272
Distribution from Alliance projects	51,942	–
Cash flow	38,989	(10,930)
Financing		
Partners' equity	8,669	47,899
Bank debt	(132,186)	97,227
Issue costs	(32)	(2,178)
Senior notes	114,675	–
Debt issue costs	(2,119)	–
Repayment of senior notes	(1,193)	–
Distribution paid	(41,610)	–
Changes in non-cash working capital	20	(1,355)
	(53,776)	141,593
Investing		
Investment in Alliance projects	(5,505)	(175,845)
Deferred expenses	(3,057)	1,216
Office equipment	(5)	(5)
	(8,567)	(174,634)
Increase (decrease) in cash and short-term investments	(23,354)	(43,971)
Cash and short-term investments at the beginning of the year	37,031	81,002
Cash and short-term investments at the end of the year	$ 13,677	$ 37,031
Cash flow per Class A Unit		
Basic and diluted	$ 0.53	$ (0.16)
Supplemental disclosure of cash flow information:		
Interest paid	$ 7,866	$ 8,936
Income taxes paid	$ 3,512	$ 732

See accompanying notes to the Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2001

NOTE 1 – CONSOLIDATED STATEMENT OF DISTRIBUTABLE CASH

($ THOUSANDS)	FOR THE THREE MONTHS ENDED DECEMBER 31, 2001 (UNAUDITED)	FOR THE YEAR ENDED DECEMBER 31, 2001
Cash inflows		
Distributions from Alliance projects	$ 15,395	$ 67,255
Interest income	87	534
	15,482	67,789
Cash outflows		
Administration	(447)	(1,818)
Realized foreign exchange gain (loss)	157	(162)
Interest and other finance	(2,379)	(9,301)
Taxes	(701)	(2,206)
Marketing losses	(1,140)	(2,290)
Senior note principal payment	(1,203)	(2,387)
Distributable cash	$ 9,769	$ 49,625
Distributable cash per Class A Unit	$ 0.133	$ 0.678
Distributions paid or payable	$ 12,823	$ 49,045
Distributions paid or payable per Class A Unit	$ 0.175	$ 0.670

NOTE 2 – BASIS OF PRESENTATION AND BUSINESS OF THE PARTNERSHIP

Fort Chicago Energy Partners L.P. (the "Partnership") is a limited partnership created under the laws of the Province of Alberta on October 9, 1997.

The Partnership was created to acquire the interests in the Alliance projects held by Chauvco Resources Ltd. ("Chauvco") and all agreements related thereto. The business of the Partnership consists solely of directly or indirectly participating in the transportation, storage, marketing or processing of hydrocarbons and directly or indirectly investing and managing investments in other persons who are engaged primarily in these activities or carrying on the business of a financial intermediary.

Fort Chicago Energy Management Ltd., as General Partner, is responsible for overseeing the management of the Partnership, including the determination of the amount of distributions to the holders of limited partnership units of the Partnership.

The Consolidated Financial Statements include the accounts of the Partnership and its wholly owned subsidiary partnerships and corporations.

The Alliance projects consist of the Alliance Pipeline project and the Aux Sable Plant project. The Alliance Pipeline project involves the design, construction and operation of a mainline gas pipeline (with various connecting lateral pipelines) from Northeastern British Columbia to points near Chicago, Illinois. The Aux Sable Plant project involves the construction and operation of a natural gas liquids extraction and fractionation facility near the terminus of the Alliance Pipeline project.

The Partnership's interest in the Alliance projects is accounted for using the equity method, whereby the investment is recorded at the original cost plus the Partnership's share of income or loss less any distributions received. The Alliance Pipeline project follows the regulatory accounting method. Under the regulatory accounting method, certain revenues and expenses may be recognized differently than otherwise expected under generally accepted accounting principles applicable to non-regulated businesses.

For the year ended December 31, 2001, the Partnership recorded $34,100,000 (2000 – $40,533,000) as its share of the income of the Alliance projects.

FOREIGN CURRENCY TRANSLATION Prior to January 1, 2001, Fort Chicago was obligated to equity fund its foreign operations and accordingly treated them as integrated. With the finalization of the financing for those entities and the removal of Fort Chicago's obligation to fund additional equity, the operations were determined to be self-sustaining. The net exchange gain attributable to current rate translation of non-monetary items as of the date of the change is included as part of the exchange gains included in the cumulative translation component of unitholders' equity. This determination was not completed until the fourth quarter of 2001, however the effect on the first three quarters of 2001 was immaterial.

The current rate method requires that all asset and liability amounts be translated into Canadian dollars using the exchange rate in effect at the balance sheet date, and requires that all revenues and expenses be translated at average exchange rates for the period. The resulting net cumulative translation gain or loss is reported as a separate component of Partners' equity.

As the Partnership is not a taxable entity, all income for tax purposes is allocated to the partners each year and, therefore, no tax expense is reflected in these financial statements in respect of the Partnership. Certain subsidiary partnerships are taxable in the U.S. and tax expense has been recorded for U.S. tax liabilities. A subsidiary corporation is taxable in Canada and federal and provincial capital taxes have been reflected in the financial statements of the subsidiary corporation.

Cash and short-term investments comprise cash and highly liquid investments of less than 90 days to maturity valued at market.

These financial statements have been prepared by the management of Fort Chicago Energy Management Ltd. (the "General Partner") in accordance with accounting principles generally accepted in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

NOTE 3 – CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2001, the Partnership adopted, retroactively without restatement of prior periods, the Canadian Institute of Chartered Accountants draft recommendations with respect to stock-based compensation. Under the new recommendations, the Partnership has recognized the "in-the-money" value of vested unit appreciation rights. As at December 31, 2001, the Partnership recognized a liability for $48,000 with a corresponding increase in deferred expenses.

Effective January 1, 2001, the Partnership changed its method of computing diluted earnings per Class A Unit to the treasury stock method as recommended by the Canadian Institute of Chartered Accountants. The retroactive effect of applying this method of calculating diluted earnings per Class A Unit resulted in an increase from $0.38 to $0.40 per Class A Unit in the prior year.

NOTE 4 – INVESTMENT IN ALLIANCE PROJECTS

At various times in 1997, the Partnership acquired interests in the Alliance Pipeline and Aux Sable Plant projects. The Partnership has invested the following amounts in the Alliance Pipeline and Aux Sable Plant projects since inception, recorded the following amounts of equity income and received the following distributions:

($ THOUSANDS)	INVESTMENT	EQUITY INCOME	DISTRIBUTIONS RECEIVED OR RECEIVABLE	TRANSLATION ADJUSTMENT	TOTAL
1997	$ 35,208	$ 244	$ –	$ –	$ 35,452
1998	124,464	8,680	–	–	133,144
1999	182,079	26,672	–	–	208,751
2000	175,845	40,533	–	–	216,378
2001	5,505	34,100	(67,255)	20,355	(7,295)
	$ 523,101	$ 110,229	$ (67,255)	$ 20,355	$ 586,430

The following summarizes the financial information of the Alliance Pipeline and Aux Sable Plant entities:

($ THOUSANDS)	2001	2000
Statement of operations		
Net income for the year	**$ 132,016**	$ 148,053
Statement of financial position		
Assets		
Current assets	**$ 490,831**	$ 510,614
Long-term assets	**6,189,336**	5,988,643
Total assets	**$ 6,680,167**	$ 6,499,257
Liabilities and unitholders' equity		
Current liabilities	**$ 346,409**	$ 352,316
Long-term liabilities	**3,812,537**	3,770,140
Future income taxes	**223,424**	114,965
Unitholders' equity	**2,297,797**	2,261,836
Total liabilities and unitholders' equity	**$ 6,680,167**	$ 6,499,257

NOTE 5 – PARTNERS' EQUITY

(a) PARTNERS' CAPITAL ACCOUNT

(i) Authorized The Partnership is authorized to issue an unlimited number of Class A limited partnership units and one Class B limited partnership unit.

(ii) Issued

	CLASS A UNITS	
	NUMBER	VALUE ($ THOUSANDS)
December 31, 1999	66,100,829	$ 379,155
Eligible Optionholder Warrants (Note 5f)	1,087,225	6,469
Equity offering (Note 5b)	4,655,000	41,430
Issue costs	–	(2,178)
December 31, 2000	71,843,054	424,876
Eligible Optionholder Warrants (Note 5f)	1,226,455	7,297
Warrants (Note 5g)	206,250	1,645
Issue costs	–	(32)
December 31, 2001	73,275,759	$ 433,786

(b) EQUITY OFFERING On November 7, 2000, the Partnership completed an equity offering of 4,655,000 Class A Units at a price of $8.90 per Class A Unit with a syndicate of Canadian investment banks. Total proceeds received were $41,429,500 prior to underwriting fees and expenses of the offering that totalled $2,210,000.

(c) DISTRIBUTIONS The Partnership has declared and paid the following distribution to holders of Class A Units:

RECORD DATE	PAYMENT DATE	DISTRIBUTION PER CLASS A UNIT	TOTAL DISTRIBUTION PAID ($ THOUSANDS)
2000			
December 29, 2000	January 15, 2001	$ 0.075	$ 5,388
2001			
March 30, 2001	April 30, 2001	$ 0.175	12,772
June 29, 2001	July 31, 2001	$ 0.160	11,725
September 28, 2001	October 31, 2001	$ 0.160	11,725
December 31, 2001	January 31, 2002	$ 0.175	12,823
		$ 0.670	$ 49,045

(d) OWNERSHIP RESTRICTIONS The Partnership was organized in accordance with the terms and conditions of a limited partnership agreement dated as of October 9, 1997 as amended and restated on November 21, 1997 and as further amended on March 7, 2001 (the "Partnership Agreement"). The Partnership Agreement provides that no Class A Units may be transferred to a person who is a "non-resident" of Canada, a person in which an interest would be a "tax shelter investment" or a partnership which is not a "Canadian partnership" for purposes of the *Income Tax Act* (Canada).

(e) UNITHOLDERS RIGHTS PLAN The Partnership has a unitholders rights plan (the "Plan"). Under the Plan, one right will be issued with each Class A Unit issued. The rights remain attached to the Class A Units and are not exercisable or separable unless one or more certain specified events occur. If a person or group acting in concert acquires 20 percent or more of the Class A Units of the Partnership, the rights will entitle the holders thereof (other than the acquiring person or group) to purchase Class A Units of the Partnership at a 50 percent discount from the then market price. The rights are not triggered by a "Permitted Bid," as defined in the Plan.

(f) ELIGIBLE OPTIONHOLDER WARRANTS On December 15, 1997, the holders of options to acquire common shares of Chauvco received for no consideration Eligible Optionholder Warrants of the Partnership on a one-to-one basis. This resulted in the issuance of 2,429,250 Eligible Optionholder Warrants. Subject to certain limitations, each Eligible Optionholder Warrant entitled the holder thereof to acquire one Class A Unit at a price of $5.95. The Eligible Optionholder Warrants expired on May 29, 2001. During 2001, 1,226,455 (2000 – 1,087,225) Eligible Optionholder Warrants were exercised for proceeds of $7,297,407 (2000 – $6,468,988).

(g) WARRANTS In conjunction with the arrangement of certain credit facilities in 1998, the Partnership issued 495,000 warrants. Each warrant entitles the holder thereof to acquire one Class A Unit at a price of $6.65. Each warrant will expire on March 6, 2002. In 1998, the Partnership recognized $653,400 as the value of these warrants. During 2001, 206,250 (2000 – NIL) warrants were exercised for proceeds of $1,371,562.

NOTE 6 – DEFERRED EXPENSES

($ THOUSANDS)	2001	2000
Financing expenses (1)	$ **1,343**	$ 1,138
Foreign exchange loss (1)	**2,216**	1,133
Construction period unit appreciation rights (2)	**2,751**	–
Other (2)	**330**	367
	$ **6,640**	$ 2,638

(1) Amortized over the life of the related debt, being generally 10 years.

(2) Amortized over 10 years commencing January 1, 2001.

NOTE 7 – SENIOR NOTES

On August 15, 2001, the Partnership, via two subsidiary entities, issued senior unsecured notes to institutional investors in the United States.

The Senior Notes, Series A issued by Fort Chicago Pipeline II U.S. L.P. in the aggregate principal amount of U.S. $37,500,000 bear interest at the rate of 7.71 percent per annum, pay interest and principal quarterly in arrears and mature on July 31, 2011. Principal is repaid U.S. $375,000 per quarter and U.S. $22,875,000 at maturity.

The Senior Notes, Series B issued by Fort Chicago Pipelines (Canada) Ltd. in the aggregate principal amount of U.S. $37,500,000 bear interest at the rate of 7.71 percent per annum, pay interest and principal quarterly in arrears and mature on July 31, 2011. Principal is repaid U.S. $375,000 per quarter and U.S. $22,875,000 at maturity.

Each series of notes are direct unsecured obligations of the relevant issuer and rank *pari passu* with all other unsecured and unsubordinated indebtedness of that issuer.

Each issuer has provided covenants customary for note issuances that include, among other things, the following: (i) each issuer will not, at any time, permit consolidated indebtedness to be more than 50 percent of consolidated capitalization and (ii) each issuer will not permit the ratio of operating cash flow to interest expense to be less than 3.00 to 1.00 at the end of each fiscal quarter of such issuer. Such financial covenants are calculated for each issuer and not at the Partnership level.

Each issuer has given the note purchasers a negative pledge not to encumber any of its assets except for permitted encumbrances and has agreed that in the event it sells any portion of its interest in Alliance Pipeline L.P. or Alliance Pipeline Limited Partnership, as applicable, prior to maturity of its notes to redeem such notes at that time to the extent of the proceeds of such sale plus a make-whole amount and any unpaid and accrued interest thereon.

Each issuer may redeem all or any (subject to a minimum of 10 percent of the aggregate principal amount outstanding) of its notes at any time prior to maturity at par plus a make-whole payment and any accrued and unpaid interest on the redeemed amount.

Most of the proceeds from these note issuances were ultimately utilized to repay the bridge credit facility described in Note 8 below.

Future minimum principal repayments required in total on the Series A and Series B Senior Notes expressed in Canadian dollars (based on the exchange rate at December 31, 2001) over the next five years and thereafter are as follows:

2002	$ 4,778
2003	4,778
2004	4,778
2005	4,778
2006	4,778
thereafter	94,360
	$ 118,250

NOTE 8 – BANK CREDIT FACILITIES

On March 6, 2001, the Partnership entered into a credit agreement with two Canadian chartered banks to provide for a Canadian $40 million extendible revolving credit facility and a Canadian $100 million bridge facility. The initial proceeds from these credit facilities were utilized to repay then existing credit facilities, which were then terminated.

These credit facilities are unsecured except that subsidiary partnerships and corporations delivered guarantees in favour of the lenders as security for the Partnership's obligations under these credit facilities.

The interest rates on outstanding debt are variable, including in relation to the lender's prime interest rate. The Partnership has agreed to pay standby and letter of credit fees varying from 0.6 percent to 1.325 percent per annum of the undrawn facilities and any letters of credit issued under the facilities. The Partnership has provided covenants customary to bank credit facilities that include, among other things, (i) the maintenance of consolidated tangible net worth of at least $375 million subject to downward adjustment for certain events and (ii) the maintenance of debt to total capitalization of no greater than 50 percent.

On August 17, 2001, the Partnership repaid the entire bridge credit facility and made a payment under the extendible revolving credit facility from the proceeds of the note offerings described in Note 7 above. Concurrently with the repayment of the bridge credit facility, the bridge credit facility was terminated. The extendible revolving credit facility matures on March 5, 2002, but may be extended from time to time for additional 364-day periods with the approval of the lenders. The lenders have agreed to renew the extendible revolving credit facility for a further 364-day period to March 4, 2003.

As at December 31, 2001, the Partnership had issued letters of credit of Canadian $13,491,000 and U.S. $8,610,000 under the extendible revolving credit facility (see Note 10 below).

NOTE 9 – UNIT APPRECIATION RIGHTS CASH BONUS PLAN

YEAR OF GRANT	NUMBER OF UNITS	EXERCISE PRICE	EXPIRY	VESTED	VALUE
As at December 31, 2001					
2000	40,000	$ 7.80	Dec. 31, 2003	40,000	$ 48,000
2001	537,500	$ 9.29	March 7, 2006	179,167	–
	577,500	$ 9.19		219,167	$ 48,000
As at December 31, 2000					
1997	846,666	$ 5.75	Dec. 31, 2003	846,666	$ 2,328,000
2000	40,000	$ 7.80	Dec. 31, 2003	40,000	28,000
	886,666	$ 5.84		886,666	$ 2,356,000

The vesting provisions for the unit appreciation rights issued in 1997 and 2000 were as follows: 33⅓ percent on the date that all regulatory approvals required to commence construction of the Alliance Pipeline project were obtained; 33⅓ percent on the in-service date of the Alliance Pipeline project; and 33⅓ percent on December 31, 2000. As of December 31, 2001, 100 percent of the unit appreciation rights issued in 1997 and 2000 had vested.

The vesting provision for the unit appreciation rights issued in 2001 were as follows: 33⅓ percent on the date of grant which was March 7, 2001; 33⅓ percent on the first anniversary of the date of grant which is March 7, 2002; and 33⅓ percent on the second anniversary of the date of grant which is March 7, 2003. As of December 31, 2001, 33⅓ percent of the unit appreciation rights issued in 2001 had vested.

During the period ended December 31, 2001, 846,666 unit appreciation rights were exercised and the Partnership capitalized $3,011,000 to deferred charges as the vesting provisions were structured in relation to Alliance Pipeline project approval, completion and operational milestones.

NOTE 10 – COMMITMENT TO ALLIANCE PROJECTS

On December 31, 2001, the Partnership had obligations in the amount of Canadian $7,917,000 and U.S. $5,208,000 to fund its pro rata share of certain debt service reserve amounts required to be maintained in debt service reserve accounts under provisions relating to the senior debt financing for the Alliance Pipeline project and had delivered letters of credit to support such obligations.

On December 31, 2001, several of the Partnership's subsidiary partnerships had obligations to guarantee their pro rata share of a stipulated amount relating to the natural gas transportation obligations of an entity affiliated with the Alliance Pipeline project and the Partnership had delivered letters of credit of Canadian $5,574,000 and U.S. $3,402,000 to support such obligations.

NOTE 11 – FINANCIAL INSTRUMENTS

The Partnership's financial assets and liabilities as at December 31, 2001 included cash, accounts receivable, accounts payable and bank debt. Due to the current nature of cash, accounts receivable and accounts payable, fair value of these items is considered to be equal to book value. The fair value of the senior notes described in Note 7 above as at December 31, 2001 was approximately Canadian $118.6 million. The Partnership has entered into variable rate agreements for its debt financing except for the senior notes described in Note 7 above.

FREQUENTLY ASKED QUESTIONS

What is the taxable portion of the distributions paid in 2001 and what portion is a return of capital?

For limited partnerships like Fort Chicago, distributions for Canadian income tax purposes are treated as a reduction of the cost base of the Units. Each March, the Partnership calculates its taxable status and allocates the tax amounts to each Unitholder. The Partnership allocates the amounts on a T5013 form that is mailed in early March. For 2001, the $0.67 per Class A Unit that was paid as distributions should reduce the cost base of the Class A Units and, in addition, the Partnership allocated the amounts to Unitholders for inclusion on their tax returns (see 2001 Income Tax Information table).

What amounts will be allocated to Unitholders in 2002 for tax purposes?

At the present time, it is extremely difficult to predict the 2002 tax information due to the volatility in the natural gas liquids extraction margin experienced by Aux Sable. The present indications are that a small loss should be allocated to Unitholders for the 2002 tax year.

Why is my distribution being reduced for U.S. withholding taxes?

The Partnership has capitalized its investments in U.S. subsidiary partnerships with a combination of debt and equity. The Partnership is therefore earning U.S.-sourced interest income that is in turn included in your distribution cheque. New U.S. tax rules require Fort Chicago to withhold U.S. taxes based on the taxable status of its Unitholders. Therefore, Canadian individual and Corporate Unitholders are subject to a 10 percent withholding tax rate and tax exempt organizations (RRSPs and pension plans) are not subject to U.S. withholding taxes. Should you be taxed at a different rate and you hold your Units directly on the register of Unitholders, you need to supply to the Partnership a completed W8-BEN or W8-IMY form. Unitholders who hold their Units in a broker account need to contact their broker and have them update their record of residency for their account.

What is the amount of U.S. withholding taxes that will be deducted from my distributions in 2002?

For a Canadian individual or corporation, approximately $0.001 per Class A Unit will be deducted from your distribution cheque per quarter. The exact amount will depend on the exchange rate at the end of each quarter.

What are the expected distributions for 2002?

The Partnership has provided guidance regarding the amount of distributions it expects to pay in 2002 in the MD&A section of this annual report. Should the Partnership change this guidance, it will be included in the MD&A included in its quarterly report to Unitholders.

Why did I receive a T5 slip reporting dividend income in 2001?

Unitholders of Fort Chicago that received their Class A Units as a result of the dividend payment from Gendis will have received a T5 tax slip from Gendis or their broker. If you have any questions regarding this form please contact Gendis or your broker.

Where can I get further information regarding the Partnership?

The Partnership maintains a Web site at www.fortchicago.com that is updated as new information regarding the Partnership becomes available. Unitholders are encouraged to check the Web site regularly. Information regarding Alliance Pipeline is available at www.alliance-pipeline.com. Also, the public information filed by the partnership with the various securities commissions is available at www.sedar.com.

Fort Chicago Energy Partners L.P.

2001 INCOME TAX INFORMATION

		ALLOCATED TO CLASS A UNITHOLDERS AS OF				
	TOTAL 2001	MARCH 30	JUNE 29	SEPTEMBER 28	DECEMBER 31	TOTAL
Net income (loss)	$ (42,314,344)	$ (0.144942)	$ (0.144367)	$ (0.144367)	$ (0.144367)	$ (0.578043)
Capital cost allowance	57,606,411	0.197323	0.196540	0.196540	0.196540	0.786943
Charitable donations	207,171	0.000710	0.000707	0.000707	0.000707	0.002831
Political donations – Federal	7,214	0.000025	0.000025	0.000025	0.000025	0.000010
Capital loss	(3,706,002)	(0.012694)	(0.012644)	(0.012644)	(0.012644)	(0.050626)

The net income (loss) amount includes an allocation of foreign interest income of $0.096227 per Unit to Unitholders of record on December 31, 2001. This amount was subject to U.S. withholding taxes. The rate of withholding varied with the Unitholder's particular circumstances and Unitholders can claim a foreign tax credit for the amount reported on their T5013 supplementary.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Guy J. Turcotte, Calgary, Alberta

John E. Feick(2)(3), Calgary, Alberta

Verne G. Johnson(1)(2)(3), Calgary, Alberta

Arthur V. Mauro(1)(3), Winnipeg, Manitoba

Stephen W.C. Mulherin(1)(2)(3), Calgary, Alberta

G. Allan MacKenzie(3), Winnipeg, Manitoba

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Corporate Governance Committee

OFFICERS

Guy T. Turcotte,
Chairman and Chief Executive Officer

Stephen H. White,
President and Chief Financial Officer

Renée M. Ratke,
Secretary, Partner, Bennett Jones LLP

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AUDITORS

PricewaterhouseCoopers LLP, Calgary, Alberta

SOLICITORS

Bennett Jones LLP, Calgary, Alberta

BANKERS

The Toronto-Dominion Bank, Calgary, Alberta
Bank of Nova Scotia, Calgary, Alberta

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
Vancouver, Calgary, Winnipeg, Montreal, Toronto

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol: FCE.UN

NOTICE OF ANNUAL MEETING

The Annual Meeting of Unitholders will be held on May 8, 2002 at 2:00 p.m. at The Metropolitan Centre in the Strand/Tivoli Room, 333 – 4th Avenue S.W., Calgary, Alberta. All Unitholders are encouraged to attend.

FortChicago

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